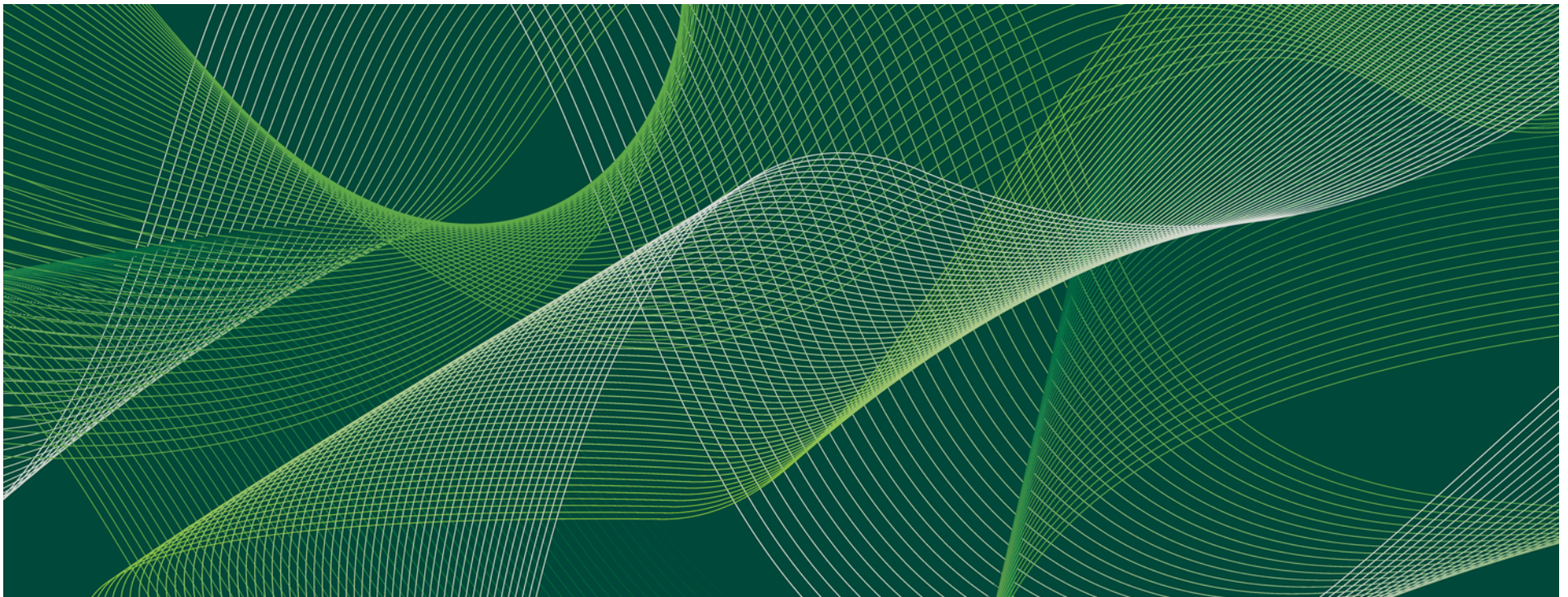


LEHMAN BROTHERS

# **Lehman Brothers Holdings Inc., et al. Plan Administration Update**

September 17, 2018



# Disclaimer

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The information and data included in this Report are derived from sources available to Lehman Brothers Holdings Inc., in its capacity as Plan Administrator (the “Plan Administrator”) under the *Modified Third Amended Joint Chapter 11 Plan of Lehman Brothers Holdings Inc. and its Affiliated Debtors* [ECF No. 22737]. The Plan Administrator has prepared this presentation based on the information available to it at this time; however, such information is incomplete and may be materially deficient in certain respects. This report was prepared by the Plan Administrator for purposes of presenting the Court with a status of the Estates of Lehman Brothers Holdings Inc. and certain of its subsidiaries that commenced with the Court voluntary cases under chapter 11 of the Bankruptcy Code (collectively, the “Chapter 11 Estates”) as of the date of the presentation. In preparing this Report, the Plan Administrator made various estimates and assumptions based on information available to it. As such, this Report contains forward-looking statements that involve known and unknown risks, uncertainties and other factors which may cause the Chapter 11 Estates’ actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including all statements containing information regarding the intent, belief or current expectation of the Chapter 11 Estates. Accordingly, the information herein is subject to change and any such change may be material. The presentation is not meant to be relied upon by investors or others as a complete description of the state of the Chapter 11 Estates, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. The information in this presentation will only be updated, including any corrections, in connection with future presentations to the Court on the state of the Chapter 11 Estates. The Plan Administrator reserves all rights to revise this report. All amounts are unaudited and subject to revision. This report is intended to be read in conjunction with the Plan Administrator’s previous filings, including Monthly Operating Reports (“MORs”) and other reports filed with the Securities and Exchange Commission and the Court.

# I. Introduction

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- ◆ The number of disputed claims and other contested matters remaining in the Lehman bankruptcy, and the amounts at issue, have been significantly reduced since the last Plan Administrator update
- ◆ Most estate assets, both in the U.S. and abroad at former Lehman affiliates, have been reduced to cash
- ◆ Future distributions are largely dependent on the resolution of legal matters in foreign jurisdictions, including the UK, Switzerland, Germany, India and Spain
- ◆ It could take years for these matters to wind their way through legal and administrative proceedings in foreign jurisdictions
- ◆ Remaining U.S. workflows include winding up the affiliate estates and their non-debtor subsidiaries and generating value to creditors by pursuing and ultimately resolving downstream RMBS indemnification claims against mortgage originators
- ◆ The Plan Administrator has continued to reduce the estate's footprint and rationalize costs
- ◆ The Plan Administrator remains committed to optimizing recoveries and distributions by dedicating all of the necessary time and resources to allow remaining matters to be resolved in due course over an extended period
  - The Plan Administrator has a small, dedicated team of business and legal professionals committed to optimizing creditor recoveries over the long term
  - The LBHI Board was recently elected to a further service term, extending through the end of 2020
- ◆ Going forward, although there will be fewer matters to bring before the Court, remaining matters are less likely to be resolved consensually and more likely to require judicial resolution

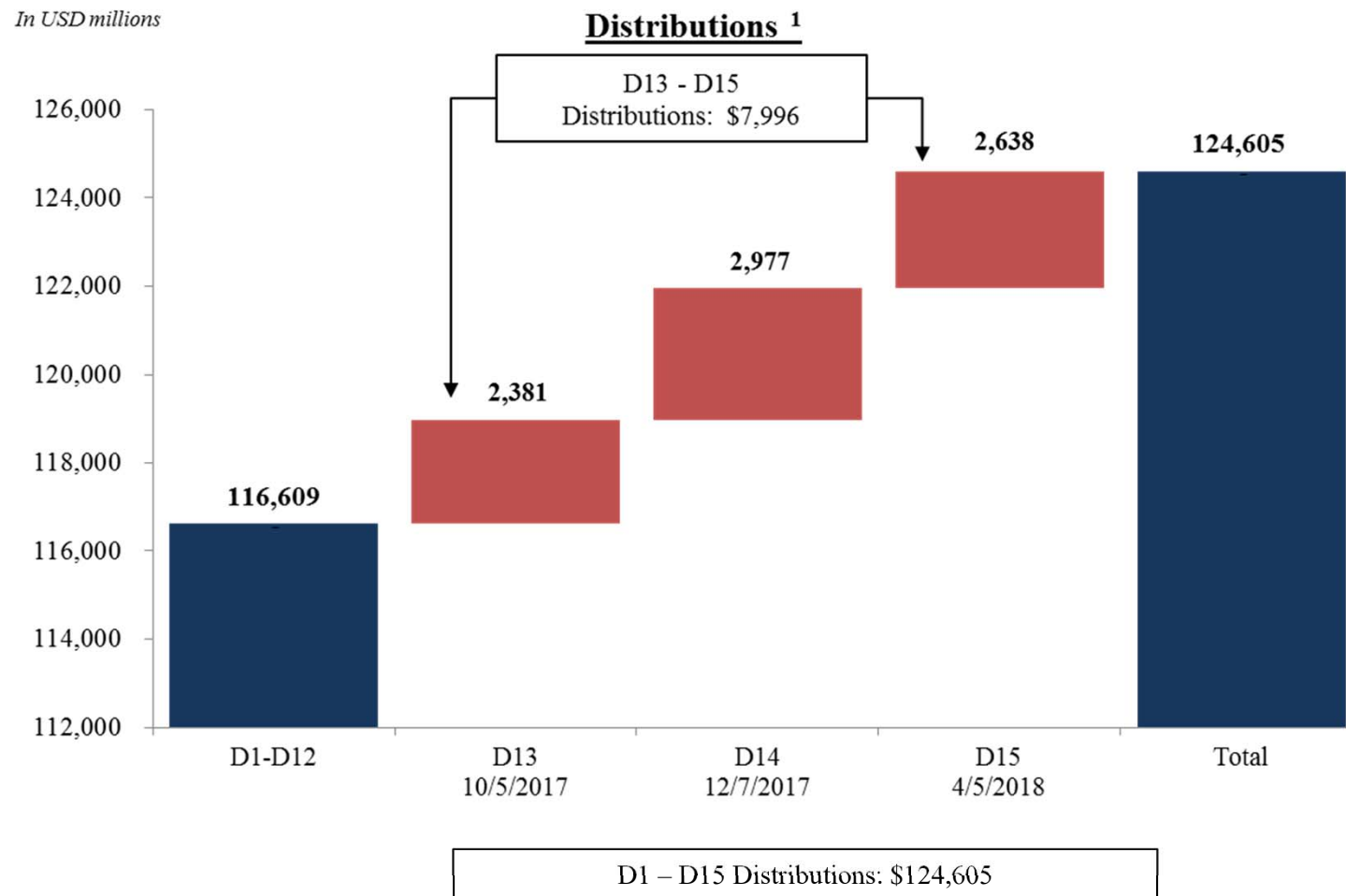
## II. Progress Since Last Plan Administrator Update

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- ◆ **The Plan Administrator continues to make significant progress optimizing value for creditors and implementing the chapter 11 plan**
- ◆ **Since the last update (August 14, 2017), the Plan Administrator has:**
  - Distributed approximately \$8.0 billion (for a total \$124.6 billion of cumulative distributions since emergence from bankruptcy)
  - Resolved approximately \$45 billion of filed claims (bringing the total to \$192 billion of filed claims resolved since emergence from bankruptcy) (see slide 5)
- ◆ **Remaining major matters relate primarily to LBHI's recoveries from LBIE and LBF**
  - Approximately \$4 billion of assets remain in the estate, net of estimated future operating expenses, incentive fees and taxes payable, and excluding potential litigation recoveries
  - Currently, 164 claims seeking over ~\$1.4 billion remain unresolved – the vast majority of these claims arise from guarantees of non-controlled affiliates
  - Notable remaining matters:
    - Recoveries from foreign, non-controlled affiliates
    - Recoveries from downstream RMBS claims
    - Resolution of disputed guaranty claims

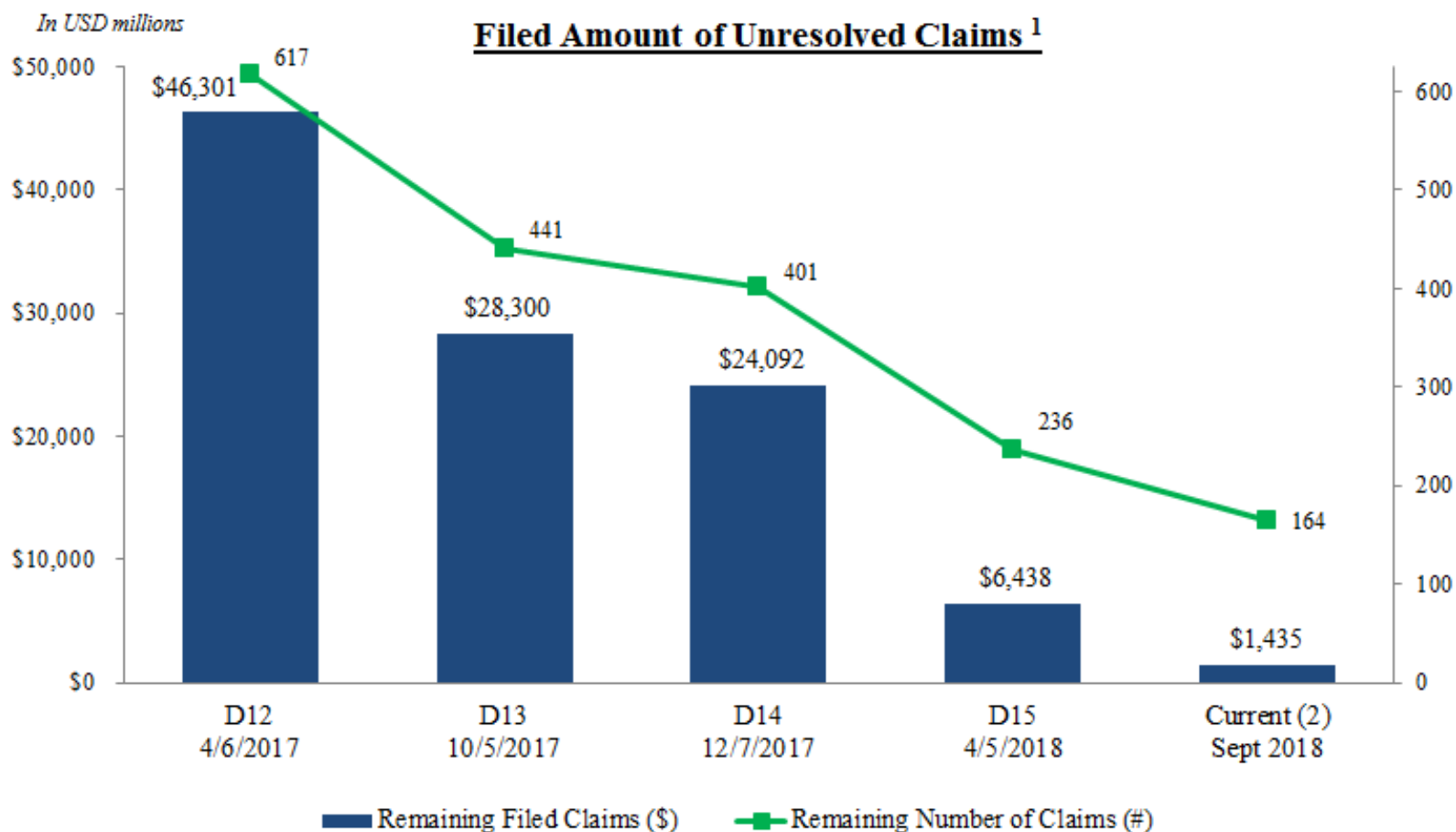
## II. Progress Since Last Plan Administrator Update

### ◆ Distributions: \$8.0 billion in distributions since D12



1. All distribution amounts sourced from individual published distribution notices; figures shown above include catch-up and post-petition interest payments, and exclude recoveries of subrogated distributions on account of satisfied Guarantee Claims.

## II. Progress Since Last Plan Administrator Update



1. Based on data from claims register maintained by Epiq Systems, Inc.
2. "Current" includes adjustments for the resolutions of disputed claims post-D15 through September 2018, primarily driven by resolutions of the Credit Suisse Derivatives Claims, the Citibank Reverse Mortgage Trusts' claims, and certain LBIE Guarantee Claims.

## II. Progress Since Last Plan Administrator Update

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### ◆ Significant settlement and resolutions since August 2017

#### – Mortgage Related Claims

- **Private Label RMBS:** On March 8, 2018, the Court entered an order settling the claims of the Private Label Trustees on account of all but one of the RMBS Covered Loan Trusts in the amount of \$2.38bn. In addition, the Plan Administrator and the Private Label Trustees agreed to resolve the claims asserted on account of all of the RMBS Non-Covered Loan Trusts in the amount of \$37mm. All in, the claims on account of Lehman's approximately 400 Private Label Trusts were reduced from their originally filed amount in excess of \$35 billion to approximately \$2.4bn
- **Opt-Out:** The Plan Administrator resolved the claims asserted on behalf of the one trust that opted-out of the estimation proceeding for a total of \$70mm
- **Reverse Mortgage Trusts:** Citibank, as the trustee for 2 reverse mortgage private label trusts asserted claims against the estate in the amount of approximately \$1.9bn. On May 29, 2018, the Plan Administrator and Citibank entered an agreement to allow those claims in the amount of \$5mm
- **Citibank Derivatives Claims:** On September 29, 2017, and after 42 days of trial, the Court entered an order approving the estate's settlement of Citibank's derivatives claims. Under the settlement, the estate recovered \$1.75bn and Citibank retained \$0.35bn of the \$2.1bn cash Lehman deposited with Citibank prior to the Commencement Date
- **Credit Suisse Derivatives Claims:** On July 24, 2018, the Court entered an order approving the Plan Administrator's settlement of the Credit Suisse derivatives claims. Under the settlement, Credit Suisse's 7 derivatives claims against the primary obligors were allowed in the aggregate amount of \$385mm. Credit Suisse's claims were reduced by approximately \$800mm. This settlement enabled the fair resolution of Credit Suisse's claims while at the same time avoiding the time, expense and risk that the estate otherwise would have faced in connection with a judicial resolution of the disputes. The LBHI guarantee claims were also reduced by approximately \$800mm to an allowed claim of \$364mm.

## II. Progress Since Last Plan Administrator Update

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### ◆ Significant settlements and resolutions since August 2017 (cont'd)

#### ◆ The LUK and LPTSI Chapter 11 Cases

- In August 2017, LBHI sold to Brookfield Asset Management and certain of its affiliates the debt and 45% of the equity of Lehman Brothers U.K. Holdings (Delaware) Inc. (“LUK”) and Lehman Pass-Through Securities Inc. (“LPTSI”) for \$485mm plus \$80mm of deferred, contingent consideration. In August 2017, both LUK and LPTSI filed chapter 11 petitions in the Bankruptcy Court. In March 2018, both entities successfully emerged from chapter 11 and as a result, LBHI converted its remaining 55% equity interests in each company to preferred stock in each company. Subsequent pay-downs received by LBHI have reduced current preferred holdings to ~\$80mm

#### ◆ Significant Events in Foreign Non-Controlled Affiliates

- **Lehman Brothers International (Europe) (“LBIE”):** In June 2018, LBIE’s scheme of arrangement became effective. The scheme resolved all remaining UK waterfall litigations and enabled the LBIE administrator to distribute approximately £6.5bn of LBIE cash. Substantial cash remains at LBIE for distribution

### III. Certain Remaining Matters

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#### ◆ Guarantee Claims

- Disputes concerning the value of certain claims arising from LBHI’s guarantee of claims against certain Non-Controlled Affiliates - significant judicial resources may be required to resolve these disputes
  - LBIE
    - Disputes with 6 creditors remain in connection with LBHI’s guarantee of claims against LBIE
    - These disputes relate to whether the guarantee claims of these creditors already have been satisfied in full
  - LBB
    - Class 4B Guaranty Claims allowed to Bankhaus and subsequently transferred to Deutsche Bank (“DB”). Inquiries have been delivered to DB requesting information on value distributed to satisfy primary obligations related to those claims
  - LBT
    - In connection with a small subset of primary claims against LBT that were guaranteed by LBHI, the allowed amount of the primary claims exceed the allowed amount of the guarantee claims
    - To date, distributions on account of certain of the primary and guarantee claims have satisfied the allowed amount of the guarantee claims
    - On August 11, 2017, the Plan Administrator filed a motion requesting the establishment of a process designed to reduce overpayment risk without imposing risk on holders of the guarantee claims

### III. Certain Remaining Matters

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#### ◆ **Downstream Indemnity Claims Against Mortgage Originators**

- ◆ In connection with the resolution of RMBS and other mortgage related claims asserted against the estates, approximately \$5 billion of claims were allowed
- ◆ The Plan Administrator already has commenced its pursuit of indemnification claims arising on account of the claims allowed to FNMA and FHLMC
- ◆ In particular, the Plan Administrator commenced 95 individual counterparty litigations (claiming ~\$250mm)
- ◆ In addition, the Plan Administrator is pursuing over 150 smaller counterparties (claiming ~\$50mm), directly through negotiation and mediation
- ◆ The Plan Administrator is preparing to bring similar downstream claims on account of the additional approximately \$2.4 billion of claims allowed in the Private Label Trustees' claims estimation proceeding
- ◆ Various counterparties moved to dismiss and/or change venue in the cases currently pending
- ◆ By a decision dated August 13, 2018, the Court denied those motions
- ◆ Absent settlements, litigations will proceed towards discovery and then trials

#### ◆ **Resolution of Non-Controlled Affiliates and Related Issues**

- ◆ The Plan Administrator is participating in various proceedings involving UK affiliate entities in administration to protect the estate's interests against third parties who have alleged a variety of arguments in an attempt to capture distributions that would otherwise flow to LBHI. Disputes may arise implicating agreements or rights subject to this Court's jurisdiction

## IV. Conclusion

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- ◆ **Since the last Plan Administrator update, approximately \$8 billion has been distributed and approximately \$45 billion of filed claims have been resolved**
- ◆ **These cases remain “mega-bankruptcy” cases with approximately \$4 billion of remaining assets, including cash (including cash reserved for disputed claims), net of estimated future operating expenses, incentive fees and taxes payable, and excluding potential litigation recoveries, and approximately \$1.4 billion of unresolved claims**
- ◆ **While the Plan Administrator continues to work towards the completion of its mandate under Lehman’s chapter 11 plan, judicial resources will be required to enable the Plan Administrator to resolve disputes and facilitate the final administration of these estates**
- ◆ **The Plan Administrator continues to maintain a robust and experienced litigation team and is prepared to strike an appropriate balance considering the value of fair compromise, the cost of litigation, and the benefit received by the estate’s creditors from timely resolution and the goal of ensuring that all creditors are treated fairly**
- ◆ **The Plan Administrator will continue to pursue optimal outcomes. While pursuing these outcomes may take longer than preferable, the Plan Administrator remains committed to continuing its past practice of patiently and persistently maximizing results for creditors**